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CITY OF LONG BEACH, MISSISSIPPI

AUDITED FINANCIAL STATEMENTS

For the Year Ended September 30, 2018



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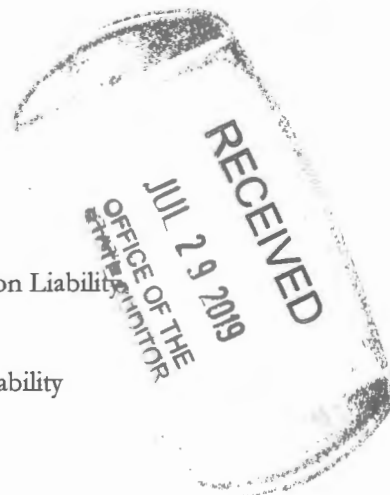


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CITY OF LONG BEACH, MISSISSIPPI
LISTING OF CITY OFFICIALS
September 30, 2018

CITY OFFICIALS

Mayor	George L. Bass
Alderman at Large	Donald Frazer
Alderman Ward #1	Ronald Robertson
Alderman Ward #2	Bernie Parker
Alderman Ward #3	Kelly Griffin
Alderman Ward #4	Timothy McCaffrey, Jr.
Alderman Ward #5	Mark Lishen
Alderman Ward #6	Patricia Bennett
City Clerk	Stacey Dahl
Comptroller	Kini Gonsoulin

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STATE AUDITOR

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Wolfe • McDuff & Oppie

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the Board of Aldermen
City of Long Beach, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Long Beach, Mississippi, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Long Beach, Mississippi's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Long Beach, Mississippi, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Membership in:

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



America Counts on CPAs

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and net pension other postemployment employee benefit schedules on pages 11 - 19, 83 - 85, and 86 - 89 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Long Beach, Mississippi's basic financial statements. The introductory section and Schedule of Surety Bonds for City Officials are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section and Schedule of Surety Bonds for City Officials have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2019, on our consideration of the City of Long Beach, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Long Beach, Mississippi's internal control over financial reporting and compliance.

Walfe, McDuff & Oppel

Pascagoula, Mississippi
June 24, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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CITY OF LONG BEACH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018
(UNAUDITED)

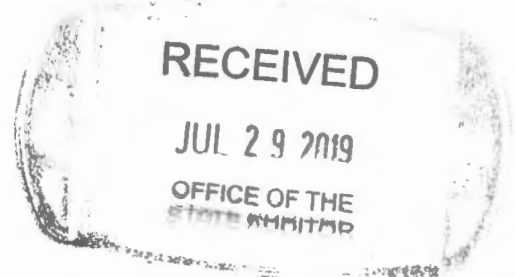
This Discussion and Analysis of the City of Long Beach, Mississippi's (the "City") financial performance provides an overall review of the City's financial activities for the year ended September 30, 2018. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- ◆ The assets and deferred outflows of resources of the City exceeded its liabilities and its deferred inflows of resources at the close of the current year by approximately \$83,346,054 (net position). Of this amount, approximately \$34,644,741 and \$48,701,313 were related to the City's governmental and business-type activities, respectively. In addition, the City's unrestricted net position (which may be used to meet the government's ongoing obligations to citizens and creditors) was approximately \$(6,924,429) (a deficit) for its governmental activities and approximately \$9,338,633 for its business-type activities.
- ◆ The government's total net position increased by approximately \$307,180 for governmental activities and decreased by approximately \$(134,510) for business-type activities compared to the prior restated net position.
- ◆ As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$4,789,475, an increase of approximately \$495,564 from the prior year's restated fund balance.
- ◆ The City's General Fund reported total fund balance of approximately 4,217,853. Approximately \$3,752,152 of this total amount, or approximately 89%, is available for spending at the government's discretion (unassigned fund balance). The unassigned fund balance for the General Fund was approximately 35% of total General Fund expenditures for the year ended September 30, 2018.
- ◆ The City's governmental activities capital assets decreased by approximately 0.10% (\$40,630) during the current fiscal year due to depreciation expense of \$1,315,174 and disposals of approximately \$1,043,125, partially offset by capital asset additions of approximately \$2,277,367. The City's business-type activities capital assets decreased by approximately 3% (\$1,270,828) during the current year primarily due to capital asset additions of approximately \$807,749, partially offset by disposals of \$255,944 and depreciation expense of approximately \$1,822,633.
- ◆ The governments's total debt (including general and special obligations) decreased approximately \$409,580 (3%) during the current year primarily due principle payments..

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.



CITY OF LONG BEACH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018
(UNAUDITED)

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The *statement of net position* presents information on all the City's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

Both of the government-wide financial statements outline functions of the City that are principally supported by intergovernmental revenues (governmental activities) and from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government operations, public safety, public works, culture and recreation, and debt service interest. The City's proprietary funds include Water/Sewer Fund and Port and Harbor Fund.

The City has no component units.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

The fund financial statements can be found as listed in the table of contents.

Governmental Funds

Governmental funds are used to account for essentially the same activities reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of financial resources and the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may be able to better understand the long-term impact of near-term financing decisions. Reconciliations from the governmental fund statements to the government-wide statements are provided to aid in the comparison.

The City maintains one major governmental funds. Information is presented separately on the governmental fund balance sheet and on the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund. Information for the other governmental funds is combined into a single, aggregated column.

CITY OF LONG BEACH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018
(UNAUDITED)

The City adopts annual appropriated budgets for its general fund. Budgetary comparison schedules are provided to demonstrate compliance with budgetary requirements. These schedules can be found in the required supplementary information section of this report as listed in the table of contents.

Proprietary Funds

The City maintains one type of proprietary funds. They are the enterprise funds. Enterprise funds are included in business-type activities since they serve the entire community. Enterprise funds are used to report the functions presented as business-type activities in the government-wide financial statements. The City has two enterprise funds. All the enterprise funds, the Water/Sewer Fund and Port and Harbor Fund are considered major funds and are reported individually throughout the report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has one fiduciary fund, which is maintained as an agency fund, with no attempt to create ongoing fund balances.

Notes to the Financial Statements

The notes provide additional information that is essential to a user's understanding of the basic financial statements. The notes to the financial statements can be found on pages 47 through 79 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget process and net pension liability information. This required supplementary information can be found on pages 83 through 93 of this report.

CITY OF LONG BEACH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018
(UNAUDITED)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the City's net position for September 30, 2018 as compared to September 30, 2017:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 5,160,157	4,718,697	10,918,594	9,733,809	16,078,751	14,452,506
Capital assets	<u>41,847,598</u>	<u>41,888,228</u>	<u>39,492,825</u>	<u>40,763,653</u>	<u>81,340,423</u>	<u>82,651,881</u>
Total assets	<u>47,007,755</u>	<u>46,606,925</u>	<u>50,411,419</u>	<u>50,497,462</u>	<u>97,419,174</u>	<u>97,104,387</u>
Deferred outflow of resources	<u>255,412</u>	<u>598,319</u>	<u>28,164</u>	<u>32,508</u>	<u>283,576</u>	<u>630,827</u>
Long-term liabilities	12,128,715	12,336,880	968,289	1,169,704	13,097,004	13,506,584
Other liabilities	<u>213,821</u>	<u>188,674</u>	<u>740,776</u>	<u>478,343</u>	<u>954,597</u>	<u>667,017</u>
Total liabilities	<u>12,342,536</u>	<u>12,525,554</u>	<u>1,709,065</u>	<u>1,648,047</u>	<u>14,051,601</u>	<u>14,173,601</u>
Deferred inflow of resources	<u>275,890</u>	<u>242,175</u>	<u>29,205</u>	<u>14,970</u>	<u>305,095</u>	<u>257,145</u>
Net position:						
Invested in capital assets, net of related debt	41,008,598	40,864,239	39,081,411	40,144,982	80,090,009	81,009,221
Restricted	560,572	595,102	281,269	281,269	841,841	876,371
Unrestricted	<u>(6,924,429)</u>	<u>(7,021,826)</u>	<u>9,338,633</u>	<u>8,440,702</u>	<u>2,414,204</u>	<u>1,418,876</u>
Total net position	<u>\$34,644,741</u>	<u>34,437,515</u>	<u>48,701,313</u>	<u>48,866,953</u>	<u>83,346,054</u>	<u>83,304,468</u>

In connection with the application of standards on accounting and financial reporting for pensions, management presents the following additional information:

Total unrestricted net position	\$ 83,346,054
Less unrestricted deficit in net position resulting from recognition of the net pension and net OPEB liability, including the deferred outflows and deferred inflows related to pensions and OPEB	<u>11,698,752</u>
Unrestricted net position, exclusive of the net pension and OPEB liability effect	<u>\$ 95,044,806</u>

By far the largest portion of the City's net position (96%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are not likely to be used to liquidate these liabilities.

A portion of the City's net position (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$2,414,204 (3%) may be used to meet the City's ongoing obligation to citizens and creditors.

CITY OF LONG BEACH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018
(UNAUDITED)

At the end of the current fiscal year, the City is able to report positive balances for all of the three categories of net position, both for the government as a whole, as well as for its separate business-type activities. Governmental activities reported a negative net position for one of the three categories of net position. The same situation held true for the prior fiscal year.

Net investment in capital assets decreased by \$(919,212) during the year. Restricted net position decreased by \$(34,530). Unrestricted net position increased by \$995,328 during the year with the unrestricted net position of business-type activities increasing by \$897,931 and the unrestricted net position of governmental activities increasing by \$97,397.

The following table shows the changes in the City's net position for 2018 compared to 2017.

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 1,646,610	1,500,838	7,103,039	6,763,983	8,749,649	8,264,821
Operating grants and contributions	583,185	15,456	-	-	583,185	15,456
Capital grants and contributions	1,377,623	453,248	53,283	36,714	1,430,906	489,962
General revenues:						
Property taxes	5,186,626	5,022,426	-	-	5,186,626	5,022,426
Franchise taxes	707,890	616,948	-	-	707,890	616,948
Sales tax	1,484,532	1,425,201	-	-	1,484,532	1,425,201
Other taxes	391,050	337,427	-	-	391,050	337,427
Other general revenues	193,578	72,952	260,025	282,024	453,603	354,976
Total revenues	11,571,094	9,444,496	7,416,347	7,082,721	18,987,441	16,527,217
Program expenses						
General government	4,196,344	4,700,372	-	-	4,196,344	4,700,372
Public safety	5,579,743	5,465,946	-	-	5,579,743	5,465,946
Public works	801,464	747,504	-	-	801,464	747,504
Culture and recreation	663,387	682,610	-	-	663,387	682,610
Debt service - interest	22,976	34,845	-	-	22,976	34,845
Water and Sewer	-	-	6,697,993	7,070,146	6,697,993	7,070,146
Port and Harbor	-	-	852,864	781,059	852,864	781,059
Total expenses	11,263,914	11,631,277	7,550,857	7,851,205	18,814,771	19,482,482
Excess(deficiency) of revenues over (under) expenditures	307,180	(2,186,781)	(134,510)	(768,484)	172,670	(2,955,265)
Transfers in (out)	-	(2,342)	-	2,342	-	-
Change in net position	307,180	(2,189,123)	(134,510)	(766,142)	172,670	(2,955,265)
Net position - beginning of year	34,437,515	36,626,638	48,866,953	49,633,095	83,304,468	86,259,733
Prior period adjustment	(99,954)	-	(31,130)	-	(131,084)	-
Net position, beginning of year, as restated,	34,337,561	36,626,638	48,835,823	49,633,095	83,173,384	86,259,733
Net position - end of year	\$34,644,741	34,437,515	48,701,313	48,866,953	83,346,054	83,304,468

CITY OF LONG BEACH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018
(UNAUDITED)

Governmental Activities

Governmental activities increased the City's net position by \$307,180. The overall increase reflects revenues exceeding expenses for the year by \$307,180. This amount was partially due to \$1,377,623 in capital grant revenues, of which is reimbursement for expenditures related to Hurricane Issac.

Revenues for the year experienced an increase of \$567,729 in operating grants and contributions as well as a decrease of \$(504,172) in general government expenditures from the previous year, which resulted in a substantial portion of the increase in net position in the governmental funds.

Business-type Activities

Business-type activities decreased the City's total net position by \$(134,510) during the year. Revenues for the business-type activities increased by \$333,626 (5%). Expenses for the business-type activities decreased \$(300,348) ((4)%). Expenses increased by \$226,514 in the Port and Harbor fund. Expenses decreased by \$(389,465) in the Water and Sewer fund.

The overall increase in revenues in the Port and Harbor fund is due to an increase in charges for services due to new accounts added during the year.

Water and Sewer fund experienced a decrease in expenditures primarily related to decrease in the cost of solid waste disposal and wastewater debt service.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing City's financing requirements.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,789,475, an increase of \$495,564 in comparison with the prior year. This overall increase was primarily due to the \$522,678 increase in the General fund. The balance in this fund increased primarily due the increase in grant revenues.

Of the combined \$4,789,475 governmental fund balances at year end \$565,874 (12%) is classified as restricted by grantors, state or federal laws, or enabling legislation; \$168,389 is classified as committed; and \$303,060 is classified as assigned. The remaining \$3,752,152 is classified as unassigned (78%). By definition unassigned balances include all deficit balances. There were no unassigned fund balance deficits at year-end.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$3,752,152, while the total fund balance was \$4,217,853. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The unassigned and total general fund balances at the end of the fiscal year represent 35% and 39%, respectively, of total general fund expenditures. These percentages decreased from the prior year computation of unassigned and total fund balances of 31% and 35%, respectively. The City's general fund balance increased by \$522,678 during the current fiscal year.

CITY OF LONG BEACH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018
(UNAUDITED)

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail.

Total net position for the City's enterprise funds as of September 30, 2018 was \$48,701,313, a decrease of \$(134,510) from the previous fiscal year's restated net position. Of the net position of the enterprise funds, \$39,081,411 is the net investment in capital assets of the enterprise funds. Unrestricted net position totaled \$9,338,633, an increase of \$897,931 compared to the previous year.

Unrestricted net position of the Enterprise Funds at the end of the fiscal year were \$7,318,589 for the Water and Sewer Fund and \$2,020,044 for the Port and Harbor Fund. Port and Harbor Fund showed a decrease in fund balance while the Water and Sewer Fund showed an increase. Other factors concerning the finances of these funds are addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's budget is prepared according to Mississippi Law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

A schedule showing the original and final budget amounts compared to the City's actual financial activity for the General Fund is provided in this report on pages 83 through 85 as required supplemental information.

During the year there was a \$1,514,114 increase in appropriations between the original budget and the final amended budget. Budgeted revenues increased by \$680,857 from the original to the amended budget.

Following is the main component of the overall budget appropriations increase during the year:

- ◆ Increase in Police Dept capital of \$513,407 to purchase new vehicles and equipment.
- ◆ Increase in Public Works capital \$772,982 for city-wide paving project and the Pineville Road Sidewalk.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2018, amounts to \$81,340,423 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, buildings and improvements, vehicle, equipment, and library materials. The City's investment in capital assets for the current fiscal year decreased by \$40,630 and \$1,270,828 for governmental activities and business-type activities, respectively, compared to the prior year.

Major capital asset events during the current fiscal year included the following:

- ◆ Additions to capital assets (net of asset retirements) totaled \$1,786,047.
- ◆ Major asset additions included \$943,998 in construction in progress for various community projects.

CITY OF LONG BEACH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018
(UNAUDITED)

Depreciation expense totaled \$3,137,807 for the year with \$1,315,174 in the governmental activities and \$1,822,633 in the business-type activities.

The following table presents a summary of the City's capital assets (net of depreciation) for the current and prior fiscal year.

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 6,414,122	6,414,122	387,425	387,425	6,801,547	6,801,547
Construction in progress	720,983	997,589	-	35,332	720,983	1,032,921
Buildings	16,322,022	16,700,361	21,687,071	21,687,071	38,009,093	38,387,432
Improvements - other	389,666	402,601	-	-	389,666	402,601
Infrastructure	16,388,258	16,060,451	17,142,973	18,346,974	33,531,231	34,407,425
Equipment	594,250	399,132	128,358	182,704	722,608	581,836
Vehicles	966,874	848,181	146,998	124,147	1,113,872	972,328
Library materials	51,423	65,791	-	-	51,423	65,791
Total	\$41,847,598	41,888,228	39,492,825	40,763,653	81,340,423	82,651,881

Additional information on the City's capital assets can be found in Note 4 of this report.

Long-term Liabilities

At September 30, 2018 and 2017, the City had \$13,097,004 and \$13,506,584, respectively, in long-term liabilities outstanding. As of September 30, 2018, principal payments in the amount of \$401,320 were due within one year.

The following table summarizes long-term liabilities outstanding as of September 30, 2018 and 2017.

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds (backed by the City)	\$ 590,000	715,000	-	-	590,000	715,000
Notes payable	-	-	411,414	618,671	411,414	618,671
Capital leases	249,000	308,989	-	-	249,000	308,989
Compensated absences	159,973	223,616	9,384	3,933	169,357	227,549
Net pension liability	11,095,589	11,089,275	547,491	547,100	11,643,080	11,636,375
Net OPEB liability	34,153	-	-	-	34,153	-
Total	\$12,128,715	12,336,880	968,289	1,169,704	13,097,004	13,506,584

More detailed information about the City's long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's fiscal year 2019 budget is very similar to the one passed for fiscal year 2018. Our local economy is still continuing to experience some growth from increased sales tax and building permits. The City plans to add in excess of 200 new homes to the tax rolls in the coming year. We are currently under contract with a company who is actively searching for new businesses for Long Beach.

CITY OF LONG BEACH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018
(UNAUDITED)

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Comptroller's Office at 201 Jeff Davis Avenue, Long Beach, Mississippi.

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BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

The basic financial statements include integrated sets of financial statements as required by the Governmental Accounting Standards Board. The sets of statements include:

- ◆ Government-wide financial statements
 - Statement of Net Position
 - Statement of Activities
- ◆ Fund financial statements:
 - Governmental funds
 - Proprietary (enterprise) funds
 - Fiduciary funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF LONG BEACH, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,348,649	8,492,195	11,840,844
Receivables, net	757,647	1,190,418	1,948,065
Due from other governments	318,671	518,334	837,005
Prepaid expenses	134,409	-	134,409
Other assets	-	958	958
Restricted cash and cash equivalents	432,392	435,420	867,812
Noncurrent assets:			
Certificates of deposit - restricted	168,389	281,269	449,658
Capital assets:			
Land, improvements, and construction in progress	7,135,105	387,425	7,522,530
Other capital assets, net of depreciation	34,712,493	39,105,400	73,817,893
Total capital assets, net	41,847,598	39,492,825	81,340,423
Total assets	<u>47,007,755</u>	<u>50,411,419</u>	<u>97,419,174</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	255,214	28,164	283,378
Deferred outflows of resources related to OPEB	198	-	198
Total deferred outflows of resources	<u>255,412</u>	<u>28,164</u>	<u>283,576</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	205,330	136,557	341,887
Due to other governments	-	168,799	168,799
Customer deposits	-	435,420	435,420
Unearned revenues	8,491	-	8,491
Long-term liabilities:			
Due within one year			
Bonds and notes payable	129,000	166,746	295,746
Capital lease payable	61,579	-	61,579
Compensated absences	34,611	9,384	43,995
Due in more than one year			
Bonds and notes payable	461,000	244,668	705,668
Capital lease payable	187,421	-	187,421
Compensated absences	125,362	-	125,362
Net pension liability	11,095,589	547,491	11,643,080
Net OPEB liability	34,153	-	34,153
Total liabilities	<u>12,342,536</u>	<u>1,709,065</u>	<u>14,051,601</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	273,440	29,205	302,645
Deferred inflows of resources related to OPEB	2,450	-	2,450
Total deferred inflows of resources	<u>275,890</u>	<u>29,205</u>	<u>305,095</u>
NET POSITION			
Investment in capital assets (net of related debt)	41,008,598	39,081,411	80,090,009
Restricted for:			
Debt Service	397,931	-	397,931
Unemployment compensation	37,296	-	37,296
Other purposes	125,345	281,269	406,614
Unrestricted net position	(6,924,429)	9,338,633	2,414,204
Total net position	<u>\$ 34,644,741</u>	<u>48,701,313</u>	<u>83,346,054</u>

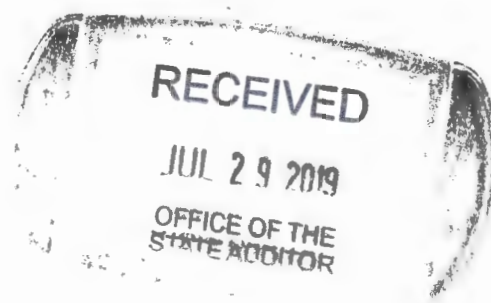
The accompanying notes are an integral part of these financial statements.

CITY OF LONG BEACH, MISSISSIPPI
STATEMENT OF ACTIVITIES
For the year ended September 30, 2018

	Expenses	Program revenue			Net (expense) revenue and changes in net position		
		Charges for service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental activities	Business-type activities	Total
Governmental activities:							
General government	\$ 4,196,344	1,646,610	557,678	1,370,893	(621,163)	-	(621,163)
Public safety	5,579,743	-	24,101	7,342	(5,548,300)	-	(5,548,300)
Public works	801,464	-	-	(612)	(802,076)	-	(802,076)
Culture and recreation	663,387	-	1,406	-	(661,981)	-	(661,981)
Debt service - interest	22,976	-	-	-	(22,976)	-	(22,976)
Total governmental activities	11,263,914	1,646,610	583,185	1,377,623	(7,656,496)	-	(7,656,496)
Business-type activities:							
Water, sewer and gas fund	6,697,993	6,759,168	-	-	-	61,175	61,175
Port and Harbor	852,864	343,871	-	53,283	-	(455,710)	(455,710)
Total business-type activities	7,550,857	7,103,039	-	53,283	-	(394,535)	(394,535)
Total primary	\$18,814,771	8,749,649	583,185	1,430,906	(7,656,496)	(394,535)	(8,051,031)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					5,186,626	-	5,186,626
Franchise taxes					707,890	-	707,890
Sales tax					1,484,532	-	1,484,532
Other taxes					391,050	-	391,050
Unrestricted investment earnings					161,010	137	161,147
Gain (loss) on the sale of capital assets					4,797	225	5,022
Miscellaneous					27,771	259,663	287,434
Total general revenues and transfers					7,963,676	260,025	8,223,701
CHANGES IN NET POSITION					307,180	(134,510)	172,670
Net position - beginning as previously reported					34,437,515	48,866,953	83,304,468
Prior period adjustments, Note 17					(99,954)	(31,130)	(131,084)
Net position - beginning as restated					34,337,561	48,835,823	83,173,384
Net position - ending					\$ 34,644,741	48,701,313	83,346,054

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS



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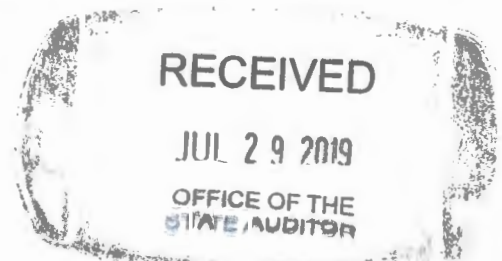
GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

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CITY OF LONG BEACH, MISSISSIPPI
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2018

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,947,218	401,431	3,348,649
Receivables, net	757,647	-	757,647
Due from other governments	316,869	1,802	318,671
Restricted assets:			
Cash and cash equivalents	432,392	-	432,392
Certificates of deposit	-	168,389	168,389
Total assets	<u>\$ 4,454,126</u>	<u>571,622</u>	<u>5,025,748</u>
LIABILITIES			
Liabilities:			
Accounts payable	\$ 186,867	-	186,867
Other accrued liabilities	13,161	-	13,161
Unearned revenue	8,491	-	8,491
Total liabilities	<u>208,519</u>	<u>-</u>	<u>208,519</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	27,754	-	27,754
Total deferred inflows of resources	<u>27,754</u>	<u>-</u>	<u>27,754</u>
FUND BALANCES			
Nonspendable:			
Restricted for:			
Debt service	-	403,233	403,233
Unemployment compensation	37,296	-	37,296
Other purposes	125,345	-	125,345
Committed for:			
Capital outlay	-	168,389	168,389
Assigned for:			
Hurricane recovery	292,889	-	292,889
Unemployment compensation	10,171	-	10,171
Unassigned	3,752,152	-	3,752,152
Total fund balances	<u>4,217,853</u>	<u>571,622</u>	<u>4,789,475</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,454,126</u>	<u>571,622</u>	<u>5,025,748</u>

The accompanying notes are an integral part of these financial statements.



CITY OF LONG BEACH, MISSISSIPPI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2018

Total governmental funds balance **\$ 4,789,475**

Amounts reported for governmental activities in the statement of net position are different than those reported in the fund financial statements because of the following:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated lives and reported as depreciation expense.

Governmental capital assets	64,061,840	
less: accumulated depreciation	<u>(22,214,242)</u>	41,847,598

A portion of the City's receivables are collected after year-end; but they are not collected soon enough to be available as financial resources for the current year. The revenues related to these receivables are deferred and not reported in the governmental funds.

27,754

Prepaid items, such as prepaid insurance, are accounted for as expenditures in the period of acquisition and, therefore, are not reported in the funds.

134,409

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	255,214	
Deferred inflows of resources related to pensions	<u>(273,440)</u>	(18,226)

Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to OPEB	198	
Deferred inflows of resources related to OPEB	<u>(2,450)</u>	(2,252)

Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued interest payable	(5,302)	
Bonds and notes payable	(590,000)	
Capital lease payable	(249,000)	
Compensated absences	(159,973)	
Net pension liability	(11,095,589)	
Net OPEB liability	<u>(34,153)</u>	<u>(12,134,017)</u>

Net position of governmental activities **\$ 34,644,741**

The accompanying notes are an integral part of these financial statements.

CITY OF LONG BEACH, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2018

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 5,049,355	137,271	5,186,626
Sales taxes	1,484,532	-	1,484,532
Franchise fees	709,003	-	709,003
Fees and fines	1,016,192	-	1,016,192
Licenses and permits	198,856	-	198,856
Intergovernmental	391,050	-	391,050
Charges for services	384,117	-	384,117
Investment earnings	154,409	6,601	161,010
Grants	1,961,969	-	1,961,969
Miscellaneous	27,771	-	27,771
Total revenues	<u>11,377,254</u>	<u>143,872</u>	<u>11,521,126</u>
EXPENDITURES			
Current:			
General government	2,543,914	-	2,543,914
Public safety	5,579,743	-	5,579,743
Public works	801,464	-	801,464
Culture and recreation	663,387	-	663,387
Debt service:			
Principal payments	-	191,776	191,776
Interest and fiscal charges	-	22,976	22,976
Capital outlay	1,277,375	-	1,277,375
Total expenditures	<u>10,865,883</u>	<u>214,752</u>	<u>11,080,635</u>
Excess (deficiency) of revenues over (under) expenditures	<u>511,371</u>	<u>(70,880)</u>	<u>440,491</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	7,628	-	7,628
Proceeds from sale of cemetery lots	14,500	-	14,500
Insurance recoveries	32,945	-	32,945
Transfers in (out)	(43,766)	43,766	-
Total other financing sources (uses)	<u>11,307</u>	<u>43,766</u>	<u>55,073</u>
Net changes in fund balances	522,678	(27,114)	495,564
Fund balance - beginning as previously stated	3,758,859	598,736	4,357,595
Prior period adjustments, Note 17	(63,684)	-	(63,684)
Fund balance - beginning as restated	<u>3,695,175</u>	<u>598,736</u>	<u>4,293,911</u>
Fund balance - end of year	<u>\$ 4,217,853</u>	<u>571,622</u>	<u>4,789,475</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LONG BEACH, MISSISSIPPI

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2018

Net change in fund balances - total governmental funds \$ 495,564

Amounts reported for governmental activities in the statement of activities are different than those reported in the fund financial statements because of the following:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period:

Capital outlay	1,277,375	
Depreciation expense	(1,315,174)	(37,799)

Governmental funds report the entire net sales price (proceeds) from the sale of an asset as revenue. However, the statement of activities reports only the gain or loss on the sale. Thus, the change in net position differs from the change in fund balance by the net book value of the asset sold. (2,831)

Receivables that do not meet the "measurable and available" criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities they are recognized as revenue when levied or earned. (2,274)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 184,989

Pension expense recorded in the Statement of Activities does not require the use of current financial resources. (380,684)

OPEB expense recorded in the Statement of Activities does not require the use of current financial resources. (135)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds:

Accrued compensated absences	63,643	
Accrued interest payable	17,624	
Prepaid expenses	(30,917)	50,350

Changes in net position of governmental activities \$ 307,180

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUNDS FINANCIAL STATEMENTS

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CITY OF LONG BEACH, MISSISSIPPI
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2018

	Enterprise Funds		
	Major Funds		Total Enterprise Funds
	Water and Sewer Fund	Port and Harbor Fund	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,076,906	2,415,289	8,492,195
Accounts receivable, net	1,184,276	6,142	1,190,418
Due from other governments	518,334	-	518,334
Other assets	-	958	958
Restricted cash and cash equivalents	435,420	-	435,420
Total current assets	8,214,936	2,422,389	10,637,325
Noncurrent assets:			
Certificates of deposit	281,269	-	281,269
Capital assets:			
Land and construction in progress	137,425	250,000	387,425
Other capital assets, net of accumulated depreciation	30,903,881	8,201,519	39,105,400
Total noncurrent assets	31,322,575	8,451,519	39,774,094
Total assets	39,537,511	10,873,908	50,411,419
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	3,878	24,286	28,164
Total deferred outflows of resources	3,878	24,286	28,164
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	109,830	26,727	136,557
Due to other governments	167,670	1,129	168,799
Customer deposits	435,420	-	435,420
Bonds and notes payable	166,746	-	166,746
Compensated absences	4,179	5,205	9,384
Total current liabilities	883,845	33,061	916,906
Noncurrent liabilities:			
Bonds and notes payable	244,668	-	244,668
Net pension liability	161,367	386,124	547,491
Total noncurrent liabilities:	406,035	386,124	792,159
Total liabilities	1,289,880	419,185	1,709,065
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	21,759	7,446	29,205
Total deferred inflows of resources	21,759	7,446	29,205
NET POSITION			
Invested in capital assets, net of related debt	30,629,892	8,451,519	39,081,411
Restricted for:			
Other purposes	281,269	-	281,269
Unrestricted	7,318,589	2,020,044	9,338,633
Total net position	38,229,750	10,471,563	48,701,313

The accompanying notes are an integral part of these financial statements.

CITY OF LONG BEACH, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
For the Year Ended September 30, 2018

	Enterprise Funds		
	Major Funds		
	Water and Sewer Fund	Port and Harbor Fund	Total Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 6,759,168	343,871	7,103,039
Miscellaneous	235,693	23,970	259,663
Total operating revenues	<u>6,994,861</u>	<u>367,841</u>	<u>7,362,702</u>
OPERATING EXPENSES			
Personnel services	106,134	224,936	331,070
Administrative expenses	300,000	32,802	332,802
Contractual fees	1,600,484	13,695	1,614,179
Wastewater treatment	1,079,207	-	1,079,207
Wastewater debt	676,303	-	676,303
Waste disposal	962,064	-	962,064
Utilities	225,815	41,803	267,618
Supplies	204,952	97,034	301,986
Depreciation	1,408,805	413,828	1,822,633
Other services and charges	116,917	28,766	145,683
Total operating expenses	<u>6,680,681</u>	<u>852,864</u>	<u>7,533,545</u>
Operating income (loss)	<u>314,180</u>	<u>(485,023)</u>	<u>(170,843)</u>
NONOPERATING REVENUES (EXPENSES)			
Gain (loss) of sale of assets	-	225	225
Interest earnings	137	-	137
Interest expense	(17,312)	-	(17,312)
Grants and contributions in aid	-	53,283	53,283
Total nonoperating revenues	<u>(17,175)</u>	<u>53,508</u>	<u>36,333</u>
Change in net position	<u>297,005</u>	<u>(431,515)</u>	<u>(134,510)</u>
Total net position - beginning as previously stated	37,932,745	10,934,208	48,866,953
Prior period adjustments, Note 17	-	(31,130)	(31,130)
Total net position - beginning as restated	<u>37,932,745</u>	<u>10,903,078</u>	<u>48,835,823</u>
Total net position - end of year	<u>\$ 38,229,750</u>	<u>10,471,563</u>	<u>48,701,313</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LONG BEACH, MISSISSIPPI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended September 30, 2018

	Enterprise Funds		
	Major Funds		Total Enterprise Funds
	Water and Sewer Fund	Port and Harbor Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 6,766,442	346,433	7,112,875
Payments for goods and services	(4,943,063)	(194,236)	(5,137,299)
Payments to employees for services	(85,615)	(221,034)	(306,649)
Other receipts (payments)	235,693	23,970	259,663
Net cash provided (used) by operating activities	<u>1,973,457</u>	<u>(44,867)</u>	<u>1,928,590</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from grants and contributions in aid	-	53,283	53,283
Net cash provided in noncapital financing activities	<u>-</u>	<u>53,283</u>	<u>53,283</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase and construction of capital assets	(582,935)	-	(582,935)
Proceeds from sale of capital assets	-	225	225
Principal paid on capital debt	(207,257)	-	(207,257)
Interest paid on capital debt	(17,312)	-	(17,312)
Net cash (used) in capital and related financing activities	<u>(807,504)</u>	<u>225</u>	<u>(807,279)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Restricted customer deposits	19,890	-	19,890
Interest received	137	-	137
Net cash provided by investing activities	<u>20,027</u>	<u>-</u>	<u>20,027</u>
Net increase (decrease) in cash and cash equivalents	1,185,980	8,641	1,194,621
Beginning of the year	<u>5,326,346</u>	<u>2,406,648</u>	<u>7,732,994</u>
End of the year	<u>\$ 6,512,326</u>	<u>2,415,289</u>	<u>8,927,615</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LONG BEACH, MISSISSIPPI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended September 30, 2018

	Enterprise Funds		
	Major Funds		Total Enterprise Funds
	Water and Sewer Fund	Port and Harbor Fund	
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>			
Operating income (loss)	\$ 314,180	(485,023)	(170,843)
Adjustments to reconcile operating income (loss) to net cash			
Depreciation expense	1,408,805	413,828	1,822,633
(Increase) decrease in current assets:			
Accounts receivable	7,274	2,562	9,836
Increase (decrease) in current liabilities:			
Accounts payable	55,679	19,864	75,543
Due to other governments	167,000	-	167,000
Other liabilities	16,742	2,228	18,970
Compensated absences	3,777	1,674	5,451
Net cash provided (used) by operating activities	\$ 1,973,457	(44,867)	1,928,590

The accompanying notes are an integral part of these financial statements.

FIDUCIARY FUND FINANCIAL STATEMENTS



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CITY OF LONG BEACH, MISSISSIPPI
STATEMENT OF NET POSITION - FIDUCIARY FUND
September 30, 2018

	<u>Tax Collector Clearing Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 146
Property tax receivable	84,114
Total assets	\$ 84,260
LIABILITIES	
Due to other governments	\$ 84,260
Total liabilities	\$ 84,260

The accompanying notes are an integral part of these financial statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

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CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The City was incorporated on August 10, 1905. The City operates under a Mayor-Board form of government and provides the following services as authorized by its charter: public safety, public works, public health and welfare, culture, recreation and water and sewer system.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units, hereinafter referred to as GAAP (generally accepted accounting principles). The accepted standard-setting body of establishing governmental accounting and financial reporting principles is GASB (the Governmental Accounting Standards Board).

The City does not have any component units as defined by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an Amendment of GASB Statement No. 14*.

B. Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses to function in the statement of activities. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows/inflows, liabilities, net position/fund equity, revenues, and expenditures/expenses. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The proprietary funds are classified as enterprise funds.

Fiduciary funds are those used to account for funds held by the City in trust for others that cannot be used to support the City's programs.

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are a least 10 percent of the corresponding total for all funds of that category or type, and
2. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is a least 5 percent of the corresponding total for all governmental and enterprise funds combined.
3. In addition, any other governmental or enterprise fund that the City believes is particularly important to financial statement users may be reported as a major fund.

The City reports the following major funds:

Major Governmental Funds

- ◆ General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Major Enterprise Funds

- ◆ Water and Sewer fund accounts for operations of the City's water, sewer, and garbage system.
- ◆ Port and Harbor fund accounts for operations of the harbor operated by the City.

Non-Major Governmental Funds

- ◆ Special revenue funds are used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes, (other than debt service or capital projects) as follows:
 - Forestry Commission Grant Fund
 - Contribution Agreement Fund
- ◆ Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest and related costs, other than enterprise debt. Currently, there is one debt service fund, the Municipal Debt Service fund.
- ◆ Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). There are currently no capital projects funds.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds

- ◆ The Tax Collector Clearing fund is used to account for assets held by the City in a trustee capacity or as an agent for other governmental units.

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

Fund:
Water and Sewer Fund

Required By:
Trust Indenture

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Intergovernmental aids and grants are recognized as revenues in the period the City is entitled to the resources and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and deferred inflows of resources. Amounts received prior to the entitlement period are recorded as unearned revenues.

The City reports unearned revenues on its governmental funds balance sheet. Unearned revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, unearned revenues arise when resources are received before the City has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Proprietary and fiduciary fund financial statements (other than agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The enterprise funds follow all pronouncements of the Governmental Accounting Standards Board. The proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balances

Cash and Cash Equivalents

The City has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agents. Additionally, each fund's equity in the City's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty. All cash and cash equivalents are reported at their carrying amounts, which reasonably approximates fair value.

For purposes of the statement of cash flows, short-term investments held in proprietary funds with a maturity date within three months of the date acquired by the City, if any, are considered to be cash equivalents.

Receivables

All trade receivables are reported net of an allowance for uncollectible amounts, where applicable. Unbilled charges are accrued as receivables and revenue at September 30, 2018.

Allowance for Uncollectible Amounts

An allowance for uncollectible amounts relates to the estimated uncollectible balance of the revenues earned or accrued that have been included in accounts receivable at year end. An allowance is recorded on receivable balances based on historical bad debt experience related to the nature of each receivable balance.

Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/interfund payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items, such as prepaid insurance, are not reported for Governmental Fund Types since the costs of such items are accounted for as expenditures in the period of acquisition.

Capital Assets

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the governmental fund financial statements. Capital position utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the enterprise funds' statement of net position.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

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STATE AUDITOR**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other cost incurred for repairs and maintenance are expensed as incurred.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Water and sewer system	30-35 years
Machinery and equipment	3-15 years
Improvements	20 years
Other infrastructures	10-50 years
Vehicles	5 years

Compensated Absences

Vacation benefits and sick leave are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. All compensated absences liabilities include salary-related payments, where applicable.

The City accrues accumulated unpaid vacation leave at the end of the fiscal year. The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated absence liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only "when due". The non-current portion (the amount estimated to be used beyond the next fiscal year) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

The City's policy allows employees to accumulate unused sick leave on an unlimited basis; however, vacation leave must be used before the employee's next anniversary unless they have prior approval from their department head. Upon termination, any accumulated vacation will be paid to the employee. Any earned vacation hours in excess of 240 hours is certified and sent to the Public Employees Retirement System (PERS). Sick leave is not paid upon termination, however, any unused sick time is also certified and sent to PERS.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year. Capital leases are recognized as a liability in the governmental fund financial statements when due.

Debt Premiums, Discounts and Issuance Costs

On the government-wide and proprietary fund type statement of activities, unamortized debt premiums and discounts, are deferred and amortized over the life of the debt using the straight-line method that approximates the effective interest method. Debt issuance costs are expensed as incurred.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

At the governmental fund reporting level, debt fund reporting level, debt premiums and discounts are reported as other financing sources and uses, separately from the face amount of the debt issued. Debt issuance costs are reported as debt service expenditures.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Mississippi Public Employees' Retirement System and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. Fiduciary net position was \$1,000,000 as of the measurement date of June 30, 2018. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The City has a deferred outflow which is presented as a deferred outflow of resources related to pension and OPEB obligations.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The City has a deferred inflow which is presented as a deferred inflow of resources related to pension and OPEB obligations and unavailable revenue. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Net Position/Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the Government-Wide financial statements, the difference between the City's total assets and deferred outflows of resources, total liabilities and deferred inflows of resources represents net position. Net position displays three components:

- ◆ Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, constructions or improvement of those assets.
- ◆ Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.
- ◆ Unrestricted net position - All other net position not meeting the definition of "restricted" or "invested in capital assets, net of related debt." Unrestricted net position represents the net position available for future operations.

Generally, governmental fund balances represent the difference between assets and deferred outflows of resources, liabilities and deferred inflows of resources. Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- ◆ Nonspendable - Includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.
- ◆ Restricted - Includes amounts that have constraints placed upon the use of the resources either by external party or imposed by law through a constitutional provision or enabling legislation.
- ◆ Committed - Includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the Board of Aldermen as approved in the board minutes.
- ◆ Assigned - Includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent can be expressed by the City's Board of Aldermen or by an official or body to which the City's Board of Aldermen delegates the authority. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed.
- ◆ Unassigned - Is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City has various restrictions placed over certain revenue sources from federal, state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source:</u>	<u>Legal Restrictions in Use:</u>
Gasoline Excise & Commercial Vehicle Tax	Street and Road purposes
Water and Sewer Revenue	Debt Service and Utility Operations
Grant Program Expenditures	Grant agreements
Ad Valorem Tax	Debt Service

For the year ended September 30, 2018, the City complied, in all material respects, with these revenue restrictions.

Net position restricted through enabling legislation consists of \$397,931 for service of debt; \$37,296 for MS State Unemployment Revolving Fund (employee benefits); \$30,702 for State Seizure funds; \$39,285 for Drug Seizure funds; \$2,749 for grant purposes; and \$52,609 for Fire Rebate by the State Insurance Commission.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the City's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

The City does not have a minimum fund balance policy.

Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB Statement No. 33. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and unearned revenue by the recipient.

Expenditures

Expenditures are recognized when the related fund liability is incurred.

Internal Activity

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund from which expenditures were initially made that are properly applicable to another fund are recorded as expenditures in the fund that is reimbursed. Outstanding reimbursements are recorded as due to or from other funds. Net receivables or payables from other funds are reported as internal balances in the government-wide statement of net position.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

New GASB Pronouncements

The Governmental Accounting Standards Board has issued several new pronouncements that the City has reviewed for application to their accounting and reporting.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, is effective for the periods beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The City has implemented this reporting requirement for the year ended September 30, 2018.

NOTE 2. DEPOSITS AND INVESTMENTS

State law requires that all deposits in excess of FDIC insurance limits be 105% collateralized by U.S. Government obligations or by state municipal obligations that have a fair value of not less than the principal amount of the deposits. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the FDIC.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 2. DEPOSITS AND INVESTMENTS (continued)

At year-end, the carrying amount of the City's deposits was \$13,157,276, and the respective bank balances totaled \$13,593,478.

The City's deposits were fully insured or collateralized as required by statute at September 30, 2018.

The City's policies regarding deposits of cash are discussed in Note 1 D. The City deposits funds in financial institutions selected by the Board of Aldermen in accordance with Mississippi statutes. The approved city depositories for the 2017-2018 calendar years is Hancock Bank.

Deposits at September 30, 2018, (including restricted deposits) are as follows:

Deposits	Bank Balances	Total Carrying Value
Pooled deposits:		
Cash and cash equivalents	\$ 13,135,933	12,707,618
Petty cash	-	1,038
	<u>\$ 13,135,933</u>	<u>12,708,656</u>
Reconciliation to government-wide statement of net assets:		
Restricted cash		\$ 867,812
Unrestricted cash		<u>11,840,844</u>
		<u>\$ 12,708,656</u>

Custodial Credit Risk - Deposits

Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the City will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The City does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Depositories must be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized in an amount equal to 105% of the uninsured deposit. The City's policies regarding legal requirements of deposits are discussed above.

At September 30, 2018, the City held the following certificates of deposit with maturity dates of longer than three months:

Certificates of Deposit	Total Carrying Value
Governmental activities:	
Hancock Bank, 0.80% interest, matures September, 2019	\$ 55,851
Hancock Bank, 1.10% interest, matures October, 2019	<u>112,538</u>
Total governmental activities	<u>\$ 168,389</u>
Business-type activities:	
Hancock Bank, 0.84% interest, matures August, 2019	\$ 281,269
Total business-type activities	<u>\$ 281,269</u>

A. Restricted Cash and Investments

The amounts reported as restricted assets are cash and accrued interest held by the trustee bank on behalf of the various public trusts (authorities) and amounts held in trust for customer utility meter deposits.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 2. DEPOSITS AND INVESTMENTS (continued)

The restricted assets as of September 30, 2018, are as follows:

Restricted Assets	Cash Including Time Deposits
Governmental activities:	
Cash and cash equivalents:	
Drug seizures	\$ 30,702
Fire rebate	52,609
Hurricane recovery	292,889
Grants	2,749
State seizures	39,285
Unemployment compensation	14,158
Certificates of deposit:	
Capital assets purchases	168,389
Total governmental activities	\$ 600,781
Business-type activities:	
Cash and cash equivalents:	
Customer deposits	\$ 435,420
Certificates of deposit:	
Condominium escrow	281,269
Total business-type activities	\$ 716,689

Interest Rate Risk - Investments

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, since the City only invests in certificates of deposit with maturities of one year or less from qualified depositories, the City does not believe it is exposed to interest rate risk.

Credit Risk - Investments

Credit risk is generally the risk that issuers of an investment will not fulfill its obligation to the holder of the investment. The City has no investment policy that would limit its investment choices due to credit risk. However, Mississippi State statute authorizes and limits investment of surplus funds to (1) direct obligations of the United States government, the payment of which the full faith and credit of the United States government is pledged, (2) certificates of deposit when insured or secured by acceptable collateral and (3) obligations of the State of Mississippi, or any county, municipality or school district of the State of Mississippi which have been approved by a reputable bond attorney or have been validated by the decree of the chancery court. The City invests its surplus funds in certificates of deposit and does not believe that it is exposed to credit risk.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2018, consisted of the following:

<u>Functions/Programs</u>	<u>Accounts Receivable</u>	<u>Allowance for Uncollectible Accounts</u>	<u>Net Accounts Receivable</u>
Governmental activities:			
Franchise taxes	\$ 202,355	-	202,355
Police court fines	8,775,408	8,220,139	555,269
Other	23	-	23
Total governmental activities	<u>\$ 8,977,786</u>	<u>8,220,139</u>	<u>757,647</u>
Business-type activities:			
Water, sewer and gas services	\$ 2,060,827	876,551	1,184,276
Port and harbor activities	141,622	135,480	6,142
Total business-type activities	<u>\$ 2,202,449</u>	<u>1,012,031</u>	<u>1,190,418</u>

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018, was as follows:

Capital Assets	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 6,414,122	-	-	6,414,122
Construction in progress	997,589	723,386	(999,992)	720,983
Total capital assets not being depreciated	7,411,711	723,386	(999,992)	7,135,105
Capital assets being depreciated:				
Buildings	19,063,335	-	-	19,063,335
Improvements - other	570,189	-	-	570,189
Infrastructure	29,903,852	999,992	-	30,903,844
Equipment	2,659,086	298,985	(28,308)	2,929,763
Vehicles	3,082,978	245,271	(14,825)	3,313,424
Library materials	136,447	9,733	-	146,180
Total capital assets being depreciated	55,415,887	1,553,981	(43,133)	56,926,735
Less accumulated depreciation for:				
Buildings	2,362,974	378,339	-	2,741,313
Improvements - other	167,588	12,935	-	180,523
Infrastructure	13,843,401	672,185	-	14,515,586
Equipment	2,259,954	101,036	(25,477)	2,335,513
Vehicles	2,234,797	126,578	(14,825)	2,346,550
Library materials	70,656	24,101	-	94,757
Total accumulated depreciation	20,939,370	1,315,174	(40,302)	22,214,242
Total capital assets being depreciated, net	34,476,517	238,807	(2,831)	34,712,493
Total governmental activities	\$ 41,888,228	962,193	(1,002,823)	41,847,598
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 387,425	-	-	387,425
Construction in progress	35,332	220,612	(255,944)	-
Total capital assets not being depreciated	422,757	220,612	(255,944)	387,425
Capital assets being depreciated:				
Buildings	21,784,909	-	-	21,784,909
Harbor Infrastructure and improvements	10,204,021	-	-	10,204,021
Water/Sewer Infrastructure and improvements	27,073,261	529,536	-	27,602,797
Equipment	562,960	-	-	562,960
Vehicles	286,231	57,601	-	343,832
Total capital assets being depreciated	59,911,382	587,137	-	60,498,519
Less accumulated depreciation for:				
Buildings	97,838	-	-	97,838
Harbor Infrastructure and improvements - other	1,591,497	413,828	-	2,005,325
Water/sewer Infrastructure and improvements	17,338,811	1,319,709	-	18,658,520
Equipment	380,256	54,346	-	434,602
Vehicles	162,084	34,750	-	196,834
Total accumulated depreciation	19,570,486	1,822,633	-	21,393,119
Total capital assets being depreciated, net	40,340,896	(1,235,496)	-	39,105,400
Total business-type activities	\$ 40,763,653	(1,014,884)	(255,944)	39,492,825

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 4. CAPITAL ASSETS (continued)

A summary of construction-in-progress transactions for the year ended September 30, 2018, follows:

Construction In-Progress	Expended through September 30, 2018	Remaining Commitment
Governmental Activities:		
Pineville Road Sidewalks	\$ 720,983	24,277
Total governmental activities	<u>\$ 720,983</u>	<u>24,277</u>

Depreciation expense was charged to programs for the year ended September 30, 2018 as follows:

Functions/Programs	Depreciation Expense
Governmental activities:	
General government	\$ 1,315,174
Business-type activities:	
Water and sewer fund	\$ 1,408,805
Port and Harbor fund	413,828
Total business-type activities depreciation expense	<u>\$ 1,822,633</u>

NOTE 5. LONG-TERM LIABILITIES

The City's long-term liabilities are segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. Long-term liability activity for the year ended September 30, 2018, is shown below:

Long-Term Liabilities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation debt	\$ 715,000	-	125,000	590,000	129,000
Capital leases	308,989	-	59,989	249,000	61,579
Compensated absences	223,616	-	63,643	159,973	34,611
Net pension liability	11,089,275	6,314	-	11,095,589	-
Net OPEB liability	-	34,153	-	34,153	-
Total governmental activities	<u>\$ 12,336,880</u>	<u>40,467</u>	<u>248,632</u>	<u>12,128,715</u>	<u>225,190</u>
Business-type activities:					
Notes payable	\$ 618,671	-	207,257	411,414	166,746
Compensated absences	3,933	5,451	-	9,384	9,384
Net pension liability	547,100	391	-	547,491	-
Total business-type activities	<u>\$ 1,169,704</u>	<u>5,842</u>	<u>207,257</u>	<u>968,289</u>	<u>176,130</u>

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 5. LONG-TERM LIABILITIES (continued)

A. Bonds Payable

At September 30, 2018, the City's outstanding bonds payable are described as follows:

<u>Bonds Payable</u>	<u>Date of Issue</u>	<u>Final Maturity Date</u>	<u>Rates</u>	<u>Original Issue</u>	<u>Balance September 30, 2018</u>
Governmental activities:					
General obligation bonds:					
Refunding Bonds 2010	7/30/2010	8/1/2022	3.5%	\$ 921,000	350,000
Series 2013 Bonds	7/24/2013	7/24/2023	1.8%	459,000	240,000
Total governmental activities					\$ 590,000

General obligation bonds generally are issued as serial bonds with certain amounts of principal maturing each year. The annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending September 30,</u>		<u>General Obligation Bonds</u>	
		<u>Principal</u>	<u>Interest</u>
Governmental activities:			
	2019	\$ 129,000	16,570
	2020	133,000	12,837
	2021	137,000	8,981
	2022	141,000	5,002
	2023	50,000	900
Total governmental activities		\$ 590,000	44,290

General Obligation Bonds

General obligation debt represents direct obligations issued on a pledge of the general taxing power of the City for the payment of its debt obligations

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The governmental activities bonds are generally repaid from ad valorem taxes through the debt service funds. The water and sewer general obligation bonds are repaid from resources generated by the water and sewer enterprise fund.



CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 5. LONG-TERM LIABILITIES (continued)

B. Notes Payable

At September 30, 2018, the City's outstanding notes payable are described as follows:

Notes Payable	Date of Issue	Final Maturity Date	Rates	Original Issue	Balance September 30, 2018
Business-type activities:					
State of Mississippi, State Revolving Fund Loan	4/1/1999	1/1/2019	4.50%	\$ 816,809	24,060
State of Mississippi, Drinking Water Improvement (Main) Revolving Fund Loan	10/24/1997	1/1/2021	4.50%	686,124	151,515
State of Mississippi, Drinking Water Improvement (Well) Revolving Fund Loan	9/1/2007	1/1/2021	4.50%	358,123	60,906
State of Mississippi, State Revolving Fund Loan	5/23/2001	3/1/2021	3.00%	524,694	97,077
State of Mississippi, Drinking Water Improvement (Main) Revolving Fund Loan	9/1/2007	3/1/2023	3.00%	229,295	77,856
Total business-type activities					\$ 411,414

Principal and interest maturities will be as follows:

Year Ending September 30,		Notes	
		Principal	Interest
Business-type activities:			
	2019	\$ 166,746	12,506
	2020	148,395	6,546
	2021	69,145	1,570
	2022	17,948	568
	2023	9,180	81
Total business-type activities		\$ 411,414	21,271

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 5. LONG-TERM LIABILITIES (continued)

C. Capital Leases

At September 30, 2018, the City's outstanding capital leases are described as follows:

Capital Leases	Date of Issue	Final Maturity Date	Rates	Original Issue	Annual Installment	Balance September 30, 2018
Governmental activities:						
Capital lease payable to bank, secured by SCBA air packs	7/23/2015	7/23/2020	2.35%	\$ 114,810	24,360	47,531
Capital lease payable to bank, secured by a fire truck	4/16/2013	5/1/2023	2.82%	376,785	43,766	201,469
Total governmental activities						\$ 249,000

The future minimum lease obligation and the net present value of these minimum lease payments as of September 30, 2018, were as follows:

Year Ending September 30,	Capital Leases	
	Principal	Interest
Governmental activities:		
2019	\$ 61,579	6,547
2020	63,194	4,915
2021	40,263	3,503
2022	41,398	2,368
2023	42,566	1,200
Total governmental activities	\$ 249,000	18,533

As of September 30, 2018, the cost of the vehicles and equipment under capital leases for governmental activities was \$491,595 and accumulated depreciation for those assets was \$155,606. Annual amortization expense is included in depreciation expense.

D. Legal Debt Margin

Per Section 21-33-303 Miss. Code Ann. (1972), the City cannot issue bonds in an amount which, when added to the then outstanding bonded indebtedness of the City shall not exceed fifteen percent of the assessed value of taxable property according to the last completed assessment for taxation. In computing bonded indebtedness, there may be deducted all bonds issued for school, water, sewage systems, gas, light and power purposes. However, in no case shall the total indebtedness exceed twenty percent of all assessed value of the property.

The City's legal debt limit for general obligation bonds is \$16,726,072. At September 30, 2018, the City's legal debt margin, after reduction for outstanding general obligation notes of \$590,000, was \$16,136,072.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 6. INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2018 are as follows:

	TRANSFERS IN:				Total
	Governmental Activities		Business-type Activities		
	General Fund	Other	Water and	Port and	
		Governmental			
TRANSFERS OUT:		Funds			
Governmental activities:					
General fund	\$ -	43,766	-	-	43,766
Total	\$ -	43,766	-	-	43,766

Transfers are used to (a) move revenues from the fund that statute or budget requires collecting to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

NOTE 7. MANAGEMENT FEES

The City's Water and Sewer Fund and Port and Harbor Fund (proprietary fund types) pay a management fee to the general fund to cover various costs such as administrative salaries, occupancy costs, etc. Such fees totaled \$332,802 for the year ended September 30, 2018. The fees were included in "charges for services" general government program revenue in the Statement of Activities and in the general fund Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds. The corresponding expenditure was included in "expenses" in the water and sewer (\$300,000) and port and harbor (\$32,802) funds in the Statement of Activities and "contractual services" expenditures in the water and sewer and port and harbor funds in the Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds.

NOTE 8. PROPERTY TAX

Property tax is levied on the assessed (appraised) value as compiled by the Harrison County Tax Assessor for all real and business personal property located in the City. The assessment roll is approved and the levy is set before September 30 following a series of public hearings to receive citizen objections. Resulting taxes are due on or before February 1. State law requires the municipality to exercise its taxing authority for the benefit of other governing authorities, which are not a part of the reporting entity. Accordingly, taxes for the Long Beach School District are also billed and collected by Harrison County and remitted to the City for disbursement to the School District.

Included in revenues are taxes for automobile tags, which are assessed and collected by Harrison County. Such taxes, less a collection fee, are remitted to the City monthly.

Property tax revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with generally accepted accounting principles have been recognized as revenue.

Increases in taxes are generally limited by State law to 10% of the taxes collected for the prior assessment year, excluding taxes from property added to the tax assessment rolls in the current year.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 8. PROPERTY TAX (continued)

The City is required by law to assess and collect taxes necessary for operation of the Long Beach School District (LBSD) and for service of certain related debt. LBSD provides services to residents of inside and outside the geographic boundaries of the City and has a separate appointed and/or elected board. The School District is not included as a component unit of the City's financial reporting entity because the City does not have the ability to exercise control over school operations or approve budgets.

For the year ended September 30, 2018, the City's 2018 tax rate was as follows:

<u>Ad Valorem Tax Levy</u>	<u>MILLS</u>
<u>For the Municipality:</u>	
General Fund	47.68
City Bonds and Interest	<u>1.30</u>
Total levy of taxes for municipal purposes	<u>48.98</u>
<u>For the Long Beach Public School District:</u>	
District maintenance funds	55.00
School building program	3.00
Costs of tax collection	<u>0.67</u>
Total levy of taxes for school purposes	<u>58.67</u>
Total levy of ad valorem taxes for municipal and school district purposes	<u>107.65</u>

NOTE 9. PENSIONS

A. Defined Benefit Pension Plan

Plan Description

The City of Long Beach, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 9. PENSIONS (continued)

Benefits Provided

Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions

PERS members are required to contribute 9.00% of their annual covered salary and the City of Long Beach, Mississippi is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2018 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.

The City of Long Beach, Mississippi's contribution to PERS for the year ended September 30, 2018, 2017, and 2016 was \$728,683, \$731,156, and \$715,422 respectively, which equal to the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2018, the City reported a liability of \$11,643,080 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the City's proportion was 0.07 percent, which did not change from its proportion measured as of June 30, 2017.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 9. PENSIONS (continued)

For the year ended September 30, 2018, the City recognized pension expense of \$1,128,337. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Annual Changes	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 55,746	53,785
Net difference between projected and actual earnings on pension plan investments	-	231,447
Changes of assumptions	17,851	17,413
Changes in proportion and differences between the City contributions and proportionate share of contributions	33,363	-
The City contributions subsequent to the measurement date	176,418	-
Total	\$ 283,378	302,645

\$176,418 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	Pension Expense
2019	\$ 149,626
2020	(26,963)
2021	(265,986)
2022	(52,362)
2023	-
Thereafter	-
Total	\$ (195,685)

Actuarial assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75-18.50%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 9. PENSIONS (continued)

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018, are summarized in the following table:

Asset class	Target Allocation	Long-term expected real rate of return
U.S. Broad	27.00 %	4.60 %
International equity	18.00	4.50
Emerging markets equity	4.00	4.75
Global	12.00	4.75
Fixed income	18.00	0.75
Real assets	10.00	3.50
Private equity	8.00	5.10
Emerging debt	2.00	2.25
Cash	1.00	-
Total	100.00 %	

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The City's proportionate share of the net pension liability \$	15,330,595	11,643,080	8,578,268

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 9. PENSIONS (continued)

B. Deferred Compensation Plan

The City, through PERS, offers its employees a voluntary deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The assets of the plan are held in trust for the exclusive benefit of participants and their beneficiaries. The requirements of Internal Revenue Code Section 457(g) prescribes that the City does not own the amounts deferred by employees, including the related income on those amounts. Additionally, the City does not have fiduciary accountability for the plan. Accordingly, the assets and the liability for compensation deferred by plan participants, including earnings on plan assets, are not included in the City's financial statements.

C. Unemployment Insurance

In lieu of making payments to the Mississippi Department of Employment Security (MDES), the City makes deposits into a bank account designated for unemployment compensation of an amount equal to 2% of the first \$14,000 of covered employee wages paid in the preceding calendar year. The total funds designated were \$47,467 and exceeded the requirement of \$37,296. The amount of contingent liability, if any, the City could be obligated for cannot be determined.

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan - Long Beach Public Library

Plan description

State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. A trust was created June 28, 2018 for the OPEB Plan and, while no trust was in place for the June 30, 2017 plan year-end, for purposes of comparability for future periods, terminology used herein is based on the plan being a cost-sharing multiple-employer defined benefit OPEB plan. The OPEB Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Mississippi Department of Finance and Administration, 501 North West Street, Suite 1301, Jackson, MS 39201 or by calling (601) 359-3402.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Benefits provided

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Contributions

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. The City's contributions to OPEB for the year ended September 30, 2018 was \$1,522, which was equal to the required contributions for the year.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

At September 30, 2018, the City reported a liability of \$34,153 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the City's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2018, the City's proportion was 0.0044 percent, which did not change from its proportion measured as of June 30, 2017.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

For the year ended September 30, 2018, the City recognized OPEB expense of \$1,657. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 70	-
Changes of assumption	-	2,433
Changes in proportion and differences between City's contributions and proportionate share of contributions	128	17
Total	\$ 198	2,450

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending September 30, :	Amount
2019	\$ (454)
2020	(454)
2021	(454)
2022	(454)
2023	(368)
Thereafter	(68)
Total	\$ (2,252)



CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Actuarial assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increases	3.25-18.50%, including wage inflation
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	4.50%
Municipal Bond Index Rate	
Measurement Date	3.89%
Prior Measurement Date	3.56%
Year FNP is projected to be depleted	
Measurement Date	2018
Prior Measurement Date	2017
Single Equivalent Interest Rate, Net of OPEB Plan investment expense, including inflation	
Measurement Date	3.89%
Prior Measurement Date	3.56%
Health Care Cost Trends	
Medicare Supplement Claims Pre-Medicare	7.25% for 2018 decreasing to an ultimate rate of 4.75% by 2028

Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

The demographic actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study dated April 18, 2017.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

As of June 30, 2018, 100 percent of the net assets of the plan were invested in the State of Mississippi's internal investment pool.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Discount rate

The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.89%. Since the Prior Measurement Date, the Discount Rate has changed from 3.56% to 3.89%. Since no trust was set up as of June 30, 2017, there was no projection of cash flows for the Plan and the Plan was projected to be depleted in 2018. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used, if necessary, for this purpose is the average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

Sensitivity of the City's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the City's proportionate share of the net OPEB liability, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89%) or 1-percentage-point higher (4.89%) than the current discount rate:

	1% Decrease (2.89%)	Current Discount Rate (3.89%)	1% Increase (4.89%)
Net OPEB Liability	\$ 37,858	34,153	30,967

Sensitivity of the City's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the City's proportionate share of the net OPEB liability, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB Liability	\$ 31,637	34,153	37,011

OPEB plan fiduciary net position

The fiduciary net position for the OPEB plan was \$1,000,000 as of June 30, 2018, the measurement date. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued OPEB financial report.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 11. COMMITMENTS AND CONTINGENCIES

A. Contract Commitments

Construction Contracts

The City has entered into various construction contracts for infrastructure improvements with an estimated remaining commitment of \$24,277. The majority of these commitments are being funded by various state and federal grants. See Note 4 for more detailed information on these commitments.

Service Contracts

The City contracts with private contractors for various services. The following represents a significant service commitment as of September 30, 2018:

On January 17, 2007, the City entered into a service contract with Utility Partners, LLC dba UP Group, LLC, to provide professional utility management, operations, and maintenance services for the City's Public Works operations, consisting of the following departments: Utility Billing, Water & Sewer Operations, Street and Drainage, Vehicle Maintenance, and Parks & Recreation. The contract has been renewed several times with the latest renewal being on November 8, 2017. The new agreement extended the term for four years dating through November 30, 2021, with the following base fees remaining as of September 30, 2018:

<u>Year Ending September 30,</u>	<u>Base Fee</u>
2019	\$ 1,956,949
2020	1,993,153
2021	<u>2,030,026</u>
Total	\$ <u>5,980,128</u>

Payment terms are 1/12th of the base fee due by the 15th of each month. Payments under the service contract totaled \$1,956,949 for the year ended September 30, 2018, and are included in water and sewer operating expenses, contractual services in the Statement of Revenues, Expenses, and Changes in Fund Net Position proprietary funds.

B. Grants and Awards

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed by management to be material.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 11. COMMITMENTS AND CONTINGENCIES (continued)

C. Lease Commitments

Operating Leases

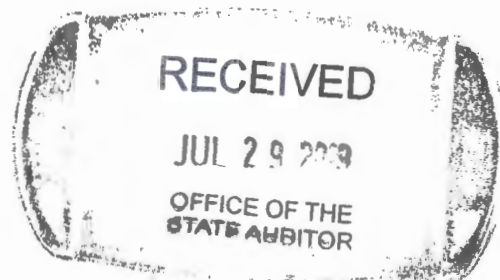
The City is committed under various operating leases at September 30, 2018. Lease expenditures for operating leases for the year ended September 30, 2018 amounted to approximately \$14,694.

Non-cancelable operating leases at September 30, 2018 are as follows:

- ◆ In April 2016, the City entered into a lease agreement for a copier located at the Building Official office. The lease agreement is for 36 months with payments of \$225 per month.
- ◆ In December 2016, the City entered into a lease agreement for a copier located at the City Clerk office. The lease agreement is for 36 months with payments of \$290 per month.
- ◆ In December 2016, the City entered into a lease agreement for a copier located at the City Court office. The lease agreement is for 36 months with payments of \$79 per month.
- ◆ In December 2016, the City entered into a lease agreement for a copier located at the City Court office. The lease agreement is for 36 months with payments of \$118 per month.

The future noncancelable lease obligations of these leases at September 30, 2018 is as follows:

<u>Year Ending September 30,</u>	<u>Lease Obligation</u>
2019	\$ 7,194
2020	974
Total	\$ 8,168



CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 11. COMMITMENTS AND CONTINGENCIES (continued)

D. Litigation

Various claims and lawsuits are pending against the City. In the opinion of City management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially affect the City's financial position.

E. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is covered for significant losses through commercial insurance carriers except for the following self-insurance funds as noted below, which are covered through self-insurance risk pools.

Self-Insurance - Workers Compensation Fund

The City is a member of the Mississippi Municipal Workers' Compensation Group, Inc. This non-profit corporation is a self-insurance worker's compensation fund organized under the non-profit laws of the State of Mississippi. The group is self-insured under statutory workers compensation protection up to \$1,000,000. Members are jointly and severally liable for the obligations of the group. The possibility of additional liability exists, but that amount, if any, cannot be determined.

Self-Insurance - Liability Fund

The City is a member of the Mississippi Municipal Liability Plan. The Plan is a private non-profit corporation organized under the laws of the State of Mississippi. The plan provides liability and tort claims insurance for its members according to limits established by the Mississippi Tort Claims Act. The plan is totally self-insured with claims and expenses paid out of the premiums and the members are jointly and severally liable for any claims and expenditures beyond the premium base. The possibility of additional liability exists, but that amount, if any, cannot be determined. As of January 1, 2018, the City no longer participates in the plan as it the Board of Aldermen elected to insure with Travelers Insurance Company for liability and tort claims insurance.

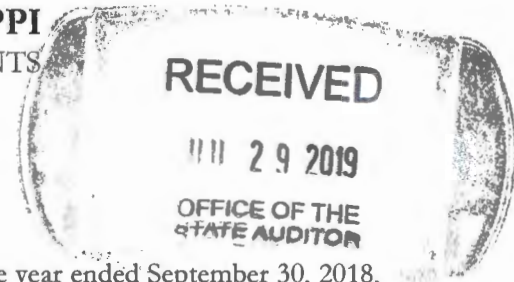
NOTE 12. RELATED-PARTY TRANSACTIONS

No known transactions requiring disclosure occurred between the City and its employees or elected officials.

NOTE 13. JOINT VENTURE

The City is a member of the Harrison County Utility Authority (Authority), which was established by an act of the Mississippi Legislature to provide for adequate wastewater treatment and solid waste disposal services to the citizens of Harrison County, Mississippi. The governing board is comprised of one member from each of the cities and county who are members of the Authority. Through a fifty-year contract, the City is obligated to pay monthly, its pro-rata share of all operating, administrative, and capital costs of the Authority. Additionally, the City is jointly and severally liable for all of the liabilities of the Authority. The Authority is classified as a joint venture between the City and the other members.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2018



NOTE 13. JOINT VENTURE (continued)

The following is a synopsis of the Authority's financial statements as of and for the year ended September 30, 2018, a complete copy of which is on file at the administrative offices of the Authority which are located at 10271 Express Drive, Gulfport, Mississippi 39503, or may be obtained by calling (228) 868-8752.

STATEMENT OF NET POSITION

ASSETS	
Current assets	\$ 12,142,402
Restricted assets	12,925,981
Capital assets, net	<u>247,474,234</u>
Total assets	<u>272,542,617</u>
DEFERRED OUTFLOWS OF RESOURCES	
	<u>11,400,207</u>
LIABILITIES	
Current liabilities	15,969,096
Noncurrent liabilities	<u>102,552,431</u>
Total liabilities	<u>118,521,527</u>
DEFERRED INFLOWS OF RESOURCES	
	<u>40,995</u>
NET POSITION	<u>\$ 165,380,302</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION

Operating revenues	\$ 18,164,579
Operating expenses	(19,018,641)
Depreciation expense	(15,229,586)
Non-operating revenue (expenses)	<u>4,147,409</u>
Change in net position	<u>\$ (11,936,239)</u>

NOTE 14. TAX ABATEMENTS

The abatements may be granted to any business located within or promising to relocate to the City within the Central Business District and any residence placated within certain Residential Renewal Districts.

As permitted by the City of Long Beach's ordinance 639, the City enters into property tax abatement agreements with local businesses and residents under the state tax exempt provisions of Section 27-31-31 and Section 27-31-32 of MCA. Under the Plan, the City may grant property tax abatements of all municipal ad valorem taxes, excluding ad valorem for school districts, for a period of not more than seven years, for new structures or improvements to or renovations of existing structures located in the Central Business Districts of the municipality for businesses or the Residential Renewal Districts for residences. Qualifications for exemption under the City's ordinance 639:

As required by statute, only new structures with over a minimum of \$500,000 in qualifying improvements found to be aiding and implementing the promotion of business or commerce in the designated district may qualify for an exemption under this ordinance. For residences, a minimum of \$400,000 in qualifying improvements in the designated district may qualify for an exemption under this ordinance.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 14. TAX ABATEMENTS (continued)

No exemption shall be granted except upon written application to the City Clerk, and upon the adoption of a resolution by the Board of Aldermen finding that the construction, renovation or improvement of the subject property is for the promotion of business and commerce and/or historic preservation in the Central Business Districts or for new structures or improvements to or renovations of existing structures located in the Residential Renewal Districts. The Board of Aldermen shall have sole discretion to approve each and every qualifying and conforming application for tax exemption.

The increase in assessed value qualifying for the tax exemption shall be calculated by taking the assessed value of the improvements (if any) on the parcel for the year prior to the renovation, reconstruction, or new construction, and subtracting it from the assessed value of the completed improvements as they appear on the Harrison County Land Roll (after completion and reassessment). Also to be excluded is the proportion of the new assessed valuation attributable, in the judgment of the Board of Alderman, to non qualifying improvements, if any. The tax rate applicable to the land and the assessed value of the land shall not be affected by this program, nor shall the land be exempt from municipal taxation. As provided by the statute, the qualifying improvements shall not be exempt from school district taxes.

The City negotiates property tax abatement agreements on an individual basis. As of September 30, 2018, the City has no tax abatement agreements.

NOTE 15. INSURANCE LOSS RECOVERIES

The City received \$32,945 in insurance loss recoveries related to impairment of capital assets during the year ended September 30, 2018. In the government-wide Statement of Activities, the insurance loss recoveries related to governmental activities were reported as general government charges for services. Insurance recoveries related to business-type activities were reported as miscellaneous revenues.

NOTE 16. EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The unrestricted net position amount of \$2,414,204 includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflows of resources related to pension in the amount of \$176,418 resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. The \$106,960 balance of deferred outflow of resources, at September 30, 2018 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of \$2,414,204 includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$302,645 balance of the deferred inflow of resources at September 30, 2018 will be recognized as revenue and increase unrestricted net position over the next four years.

The unrestricted net position amount of \$2,414,204 includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. The \$198 balance of deferred outflow of resources, at September 30, 2018 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of \$2,414,204 includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$2,450 balance of deferred inflow of resources at September 30, 2018 will be recognized as a revenue and will increase the unrestricted net position over the next 6 years.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 17. PRIOR PERIOD ADJUSTMENTS

A prior period adjustment of \$(131,084) was made to correct September 30, 2017 net position related to the overstatement of the General fund cash, overstatement of the Port and Harbor fund fixed assets, and implementation of GASB 75.

Net position, September 30, 2017 as originally presented	\$ 83,304,468
To correct overstatement of cash	(63,684)
To correct overstatement of fixed assets	(31,130)
Implementation of GASB 75	(36,270)
Net position as restated, September 30, 2017	<u>\$ 83,173,384</u>

NOTE 18. SUBSEQUENT EVENTS

Events that occur after the statement of net assets date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date are recognized in the accompanying financial statements. Subsequent events that provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management of the City evaluated the activity of the City through June 24, 2019, (the date the financial statements were available to be issued) and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF LONG BEACH, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)
GENERAL FUND
For the Year Ended September 30, 2018
(UNAUDITED)

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Over (Under)</u>
Resources (inflows):				
Taxes	\$ 7,055,109	7,055,109	6,228,646	(826,463)
Licenses and permits	773,500	773,500	696,558	(76,942)
Grants	147,486	822,824	1,950,341	1,127,517
Inter-governmental revenues	350,382	350,382	391,050	40,668
Charges for services	416,402	419,102	384,117	(34,985)
Fines and forfeitures	519,500	519,500	460,923	(58,577)
Interest	25,000	25,000	154,409	129,409
Miscellaneous	<u>21,500</u>	<u>24,319</u>	<u>27,771</u>	<u>3,452</u>
Amounts available for appropriations	\$ <u>9,308,879</u>	<u>9,989,736</u>	<u>10,293,815</u>	<u>304,079</u>

The notes to required supplementary information are an integral part of this schedule.

CITY OF LONG BEACH, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)
GENERAL FUND
For the Year Ended September 30, 2018
(UNAUDITED)

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
Charges to appropriations (outflows):				
<i>General Government</i>				
Personnel services	\$ 455,144	445,144	405,781	(39,363)
Supplies	5,645	15,645	13,341	(2,304)
Other charges	253,460	253,460	682,856	429,396
Capital outlay	-	44,367	44,367	-
<i>General Administration</i>				
Personnel services	235,235	233,777	179,588	(54,189)
Supplies	22,975	29,830	29,458	(372)
Other charges	1,045,200	1,099,803	930,621	(169,182)
<i>Police</i>				
Personnel services	2,844,053	2,835,927	2,622,428	(213,499)
Supplies	283,400	283,400	386,486	103,086
Other charges	223,900	223,900	194,643	(29,257)
Capital outlay	38,000	551,407	428,501	(122,906)
<i>Fire</i>				
Personnel services	2,186,277	2,182,277	2,175,969	(6,308)
Supplies	113,896	179,421	101,927	(77,494)
Other charges	58,000	64,119	53,409	(10,710)
Capital outlay	15,000	52,687	50,297	(2,390)
<i>Planning and Zoning</i>				
Personnel services	127,839	127,839	119,329	(8,510)
Supplies	3,700	3,700	3,144	(556)
Other charges	15,400	15,400	14,433	(967)
<i>Public works</i>				
Supplies	11,125	11,125	116,194	105,069
Other charge	667,155	670,543	641,625	(28,918)
Capital outlay	965,402	1,688,384	730,316	(958,068)
<i>Culture & Recreation</i>				
Personnel services	512,196	512,196	483,941	(28,255)
Supplies	109,350	117,051	96,088	(20,963)
Other charges	83,571	83,571	74,434	(9,137)
Capital projects	26,000	28,436	28,436	-
<i>Grants & Economic Development</i>				
Other charges	-	62,628	59,535	(3,093)
Total charges to appropriations	<u>10,301,923</u>	<u>11,816,037</u>	<u>10,667,147</u>	<u>(1,148,890)</u>
Excess (deficiency) of revenues over expenditures	(993,044)	(1,826,301)	(373,332)	1,452,969
Other Financing Sources (Uses):				
Other financing sources	20,000	35,101	55,073	19,972
Transfers (out)	<u>(68,372)</u>	<u>(68,372)</u>	<u>(43,766)</u>	<u>24,606</u>
Total other financing sources (uses)	<u>(48,372)</u>	<u>(33,271)</u>	<u>11,307</u>	<u>44,578</u>
Net change in fund balance	<u>\$ (1,041,416)</u>	<u>(1,859,572)</u>	<u>(362,025)</u>	<u>1,497,547</u>
Fund balance - beginning			<u>3,695,175</u>	
Fund balance - end of year			<u>\$ 3,333,150</u>	

The notes to required supplementary information are an integral part of this schedule.

CITY OF LONG BEACH, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)
GENERAL FUND
For the Year Ended September 30, 2018
(UNAUDITED)

Differences between budgetary and GAAP fund balance:

Fund Balance, end of year (Budgetary Basis)	\$ 3,333,150
Accruals for expenses incurred but not paid	(199,381)
Accruals for revenues recognized but not yet received	<u>1,084,084</u>
Fund Balance, end of year (GAAP)	<u>\$ 4,217,853</u>

The notes to required supplementary information are an integral part of this schedule.

CITY OF LONG BEACH, MISSISSIPPI
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY*
Public Employees Retirement System of Mississippi
Last 10 Fiscal Years (Only 4 Years Shown)**
(UNAUDITED)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.07 %	0.07 %	0.07 %	0.07 %
City's proportionate share of the net pension liability (asset)	\$ 11,643,080	11,636,375	12,503,748	10,820,620
City's covered payroll	\$ 4,681,900	4,616,044	4,495,490	4,425,661
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	248.68 %	252.09 %	278.14 %	244.50 %
Plan fiduciary net position as a percentage of the total pension liability	62.54 %	61.49 %	57.47 %	61.70 %

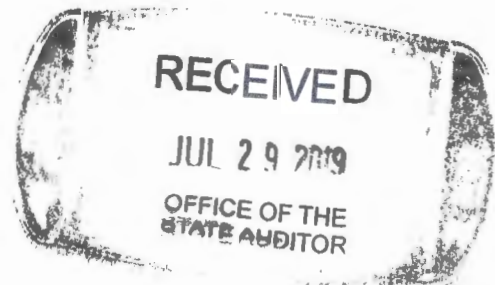
*The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the fiscal year presented.

**This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

The notes to required supplementary information are an integral part of this schedule.

CITY OF LONG BEACH, MISSISSIPPI
SCHEDULE OF THE CITY'S CONTRIBUTIONS - (PERS)
Public Employees Retirement System of Mississippi
Last 10 Fiscal Years (Only 4 Years Shown)**
(UNAUDITED)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 728,683	731,156	715,422	698,259
Contributions in relation to the contractually required contribution	(728,683)	(731,156)	(715,422)	(698,259)
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 4,626,553	4,642,258	4,542,363	4,433,393
Contributions as a percentage of covered payroll	15.75 %	15.75 %	15.75 %	15.75 %



**This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

The notes to required supplementary information are an integral part of this schedule.

CITY OF LONG BEACH, MISSISSIPPI
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY*
 Other Postemployment Benefits (OPEB)
 Last 10 Fiscal Years (Only 1 Year Shown)**
 (UNAUDITED)

	<u>2018</u>
City's proportion of the net OPEB liability	0.0044 %
City's proportionate share of the net OPEB liability	\$ 34,153
City's covered-employee payroll	\$ 170,806
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	20.00 %
Plan fiduciary net position as a percentage of the total OPEB liability	0.13 %

*The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the fiscal year presented.

**This schedule is presented to illustrate the requirements to show information for 10 years. However, GASB Statement No. 75 was implemented in FYE September 30, 2018, until a full 10-year trend is compiled, information is presented for those years for which information is available.

The notes to required supplementary information are an integral part of this schedule.

CITY OF LONG BEACH, MISSISSIPPI
SCHEDULE OF THE CITY'S CONTRIBUTIONS - (OPEB)
Other Postemployment Benefits (OPEB)
Last 10 Fiscal Years (Only 1 Year Shown)**
(UNAUDITED)

	<u>2018</u>
Contractually required contribution	\$ 1,522
Contributions in relation to the contractually required contribution	<u>(1,522)</u>
Contribution deficiency (excess)	<u>\$ -</u>
 City's covered-employee payroll	 \$ 168,037
 Contributions as a percentage of covered-employee payroll	 0.91 %

**This schedule is presented to illustrate the requirements to show information for 10 years. However, GASB Statement No. 75 was implemented in FYE September 30, 2018, until a full 10-year trend is compiled, information is presented for those years for which information is available.

The notes to required supplementary information are an integral part of this schedule.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2018
(UNAUDITED)

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

A. Budgets and Budgetary Accounting

Statutory requirements dictate how and when the City's budget is to be prepared. Generally, during September, a budget is prepared by the City's management and submitted to the Board of Aldermen for approval. The completed budget for the fiscal year includes for all funds every source of revenue, each general item of expenditure, and unencumbered cash and investment balances. On a periodic basis, as required by changing conditions, the budgeted amounts are amended.

The City's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year-end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP, Cash Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP, Cash Basis) and variance between the final budget and the actual amounts. The schedule is presented for the General Fund of the City. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP, Cash Basis) is a part of required supplemental information.

B. Excess of Expenditures over Appropriations (Budget)

There were no expenditures in excess of appropriations (budget) for the fiscal year ended September 30, 2018.

NOTE 2. PENSION SCHEDULES

A. Changes of Assumptions

2015:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016:

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2018
(UNAUDITED)

NOTE 2. PENSION SCHEDULES (continued)

2017:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

B. Changes in Benefit Provisions

2016:

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

C. Method and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2015 valuation for the June 30, 2017 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2018
(UNAUDITED)

NOTE 3. OPEB SCHEDULES

A. Changes of Assumptions

2017:

The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

2018:

The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

B. Changes in Benefit Provisions

2017:

None.

2018:

None.

C. Method and assumptions used in calculations of actuarially determined contributions

2017:

The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from June 30, 2016 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent
Initial health care cost trend rate	
Medicare Supplemental Claims Pre-Medicare	7.75 percent
Ultimate health care cost trend rates	
Medicare Supplemental Claims Pre-Medicare	5.00 percent
Years of ultimate trend rates	
Medicare Supplemental Claims Pre-Medicare	2022
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56 percent

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2018
(UNAUDITED)

NOTE 3. OPEB SCHEDULES (continued)

2018:

The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from June 30, 2017 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent
Initial health care cost trend rate	
Medicare Supplemental Claims Pre-Medicare	7.75 percent
Ultimate health care cost trend rates	
Medicare Supplemental Claims Pre-Medicare	5.00 percent
Years of ultimate trend rates	
Medicare Supplemental Claims Pre-Medicare	2023
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.89 percent

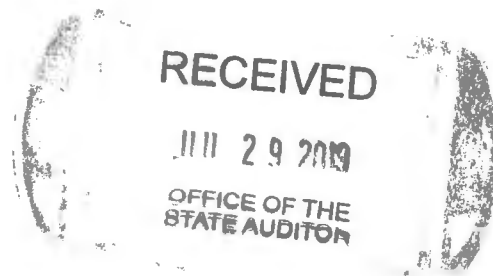
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OTHER SUPPLEMENTARY INFORMATION

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CITY OF LONG BEACH, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR CITY OFFICIALS
For the Year Ended September 30, 2018

<u>Name</u>	<u>Position</u>	<u>Amount</u>	<u>Expires</u>
George L. Bass	Mayor	\$ 100,000	6/30/2021
Various/each	Aldermen	100,000	6/30/2021
William Seal	Chief of Police	50,000	10/1/2019
Stacey Dahl	City Clerk	50,000	7/1/2019
Kini Gonsoulin	Comptroller	50,000	8/16/2019
Various/each	Police	25,000	7/1/2019
Various/each	Deputy Clerks	50,000	8/16/2019



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REPORTS ON COMPLIANCE AND INTERNAL CONTROL

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Wolfe • McDuff & Oppie

CERTIFIED PUBLIC ACCOUNTANTS

(A Professional Association)

Michelle Oppie Gist, CPA

Julia Whitley Johnson, CPA

Jesse J. Wolfe, CPA (1927-2009)

Grover B. McDuff, CPA (1923-2016)

Jack A. Oppie, CPA (1960-2014)

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members of the Board of Aldermen
City of Long Beach, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Long Beach, Mississippi, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise City of Long Beach, Mississippi's basic financial statements and have issued our report thereon dated June 24, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Long Beach, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Long Beach, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Long Beach, Mississippi's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Long Beach, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Membership in:

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***
Page 2

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Walfe, McDuff + Oppie

Pascagoula, Mississippi
June 24, 2019



Wolfe • McDuff & Oppie

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH MISSISSIPPI STATE LAWS AND REGULATIONS**

To the Honorable Mayor and Members of the Board of Aldermen
City of Long Beach, Mississippi

We have audited the accompanying financial statements of the City of Long Beach, Mississippi as of and for the year ended September 30, 2018, and have issued our report dated June 24, 2019. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

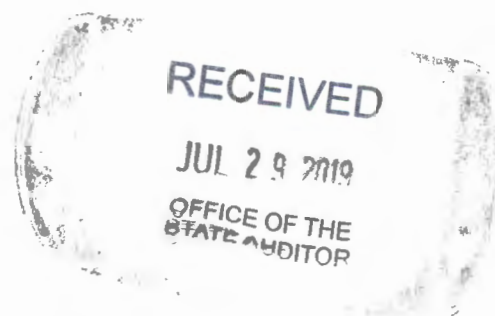
As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the basic financial statements disclosed no material instances of noncompliance with state laws and regulations.

This report is intended for the information of the City's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Wolfe, McDuff & Oppie

Pascagoula, Mississippi
June 24, 2019



Membership in:

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



America Counts on CPAs